
**Office of the Secretary of
State**

This financial-compliance audit report documents the results of our audit of the Office of the Secretary of State (office) for the two fiscal years ended June 30, 2006. We issued a qualified opinion on the financial schedules of the office for fiscal years 2004-05 and 2005-06. This means the reader should use caution in relying on the financial information presented and the supporting detailed information on the state's accounting records.

This audit report contains six recommendations. The recommendations relate to recording revenues and expenditures in accordance with state accounting policy, complying with federal grant requirements, and ensuring fees charged for business services are commensurate with the cost of providing those services.

The prior audit report contained two recommendations. The office implemented one recommendation and partially implemented one recommendation.

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the office record revenues and expenses associated with electronic business transactions in accordance with state accounting policy..... 4

Office Response: Concur. See page B-3.

Recommendation #2

We recommend the office properly classify federal expenditures in accordance with state accounting policy..... 5

Office Response: Concur. See page B-3.

Recommendation #3

We recommend the office provide the appropriate level of accounting expertise to its staff to ensure office transactions are properly recorded on the state's accounting system..... 6

Office Response: Concur. See page B-4.

Report Summary

<u>Recommendation #4</u>	We recommend the office provide training and develop procedures to properly administer its federal programs.	8
	Office Response: Concur. See page B-4.	
<u>Recommendation #5</u>	We recommend the office comply with state law by ensuring that fees charged for its business services reflect the cost of providing those services.	9
	Office Response: Concur. See page B-4.	
<u>Recommendation #6</u>	We recommend the office comply with state law by providing the legislature information reporting state and UCC rule discrepancies.	10
	Office Response: Concur. See page B-5.	